Before the Federal Communications Commission
Washington, DC 20554

In the Matter of:

Comprehensive Review of Universal Service Fund   WC Docket
No. 05-195

Management, Administration, and Oversight
Federal-State Joint Board onUniversal ServiceCC Docket No.
96-45

Schools and Libraries Universal Service
Support Mechanism   CC Docket No. 02-6

Rural Health Care Support Mechanism   WC Docket No. 02-60

Lifeline and Link-Up   WC Docket No. 03-109

Changes to the Board of Directors for the
National Exchange Carrier Association, Inc. CC Docket No.
97-21
)
)

COMMENTS SUBMITTED BY

The E-Rate Coordinator of the STATE OF ALASKA

IN RESPONSE TO THE

RELEASED June 14, 2005

NOTICE OF PROPOSED RULEMAKING

AND FURTHER NOTICE OF PROPOSED RULEMAKING

I.   Introduction

The State of Alaska E-Rate Coordinator, representing the
Alaska Department of Education and Early Development and the
Alaska State Library, a division of the Department
(hereafter referred to in unison as EED), respectfully
submits comments in the above referenced proceeding.

E-Rate coordination in Alaska is managed by staff of the
State Library which has been involved in the program since
its inception. Alaskan applicants rely heavily on State
assistance in maneuvering through the intricate steps

required to participate in E-Rate. The comments offered
result from frequent and in-depth interaction with the
school districts, private schools, public libraries and
service providers of the state. We believe they also reflect
principles that support the Telecommunications Act of 1996.

The EED appreciates the ongoing commitment of the Federal
Communications Commission ("Commission") to expand
telecommunications services by supporting the Universal
Service Program for Schools and Libraries, usually referred
to as E-rate. The E-rate program has successfully spurred
connectivity and access across our state, particularly in
rural/remote areas. The funds have stimulated the expansion
of infrastructure bringing access to our bush regions that
would not be possible otherwise. Connectivity is now an
accepted norm in Alaskan schools. We strongly believe the
program's primary focus needs to remain with the poorest and
most remote schools and libraries, assisting them to
complete and update their network infrastructure and
allowing them to maintain connectivity and on-going
maintenance.

In this Notice of Proposed Rulemaking and Order (NPRM), the
Commission has requested comments on specific issues and on
the general program administration in order to make changes
to the program in ways that improve operation, ensure
equitable distribution of program funds and prevent fraud,
waste and abuse. We appreciate the opportunity to comment
on these important issues. In our comments we intend to
support the following principles of the Telecommunications
Act of 1996:

  A. The program should be competitively neutral as to
     technology, vendors, and procurement processes.

B. The educational interests of the applicants should
   guide determination of which services are eligible or
   ineligible.
C. Making affordable advanced telecommunications and high-
   speed Internet connectivity available to school-age
   children and library patrons across the country is the
   primary goal of the program.
D. Where there is conflict between these principles, the
   outcome should be determined in the best interests of
   the applicant.

The EED believes these principles should be guiding factors
in any decisions related to program improvement. They are
principles that should work to simplify administration,
ensure equitable distribution of program funds and reduce
fraud, waste and abuse.

II Answers to Requests for Comments

Program Management

In Paragraph 33, the Commission requests comment on using a
formulaic approach to the assignment and disbursement of E-
Rate funds. It particularly suggests that the formula be
based on size and should allow for a more flexible use of
funds and asks if such an approach would disadvantage any
applicant groups or make detecting waste, fraud and abuse
more difficult.

The Commission recognizes that rural and economically
challenged schools and libraries may be among the groups
disadvantaged by such an approach. As the most rural, not to
say remote, applicants in the country are located in Alaska,
we are particularly anxious that such an approach take into
consideration the costs of providing bandwidth at such a

remove, the tiny size of many of our schools and libraries, and the extreme economic hardships in many of our villages. A formula which takes into consideration all of those factors would, of necessity, have to be expanded to all areas of the country. The complexity of a formula that could balance applicant size, cost of delivery and economic need in every area of the country would be staggering. Currently, such a balance is reached through market forces and competitive bidding. In spite of some well-publicized instances of abuse, in the overwhelming majority of applications, prices for services are set at a reasonable level and are diminishing as competition provides downward pricing pressures.

In addition to the problem of complexity of formula and the difficulty of applying it using size or cost as the controlling factor, there is another very important factor in dealing with educational institutions. They are locally controlled as a tenet of American culture. Each community imposes its own personality on the education of its children. While mandated to meet state and federal standards, each district and school sets its own methods of reaching those goals.

E-Rate supported phone service, Internet access and internal connectivity allows the most remote and high-cost areas of our state to operate schools that can choose to use the most sophisticated and intense applications, provide the most expert of instruction from a distance, and connect their students directly to the most compelling events of science and social history. The actual use of resources is at the choice of the schools themselves. The role of E-Rate is to give them the wherewithal to make those choices on an even economic ground with schools located in more populous areas. If schools choose, in line with their own philosophies and for their own reasons, not to use highly advanced technology

as a teaching tool, they request and receive less E-Rate money, since their connectivity bills will be lower. Schools using curriculums that rely heavily on advanced technology have higher communications bills and receive more E-Rate money. It is not the place of those administering E-Rate to dictate to which group each school must belong. State and local standards and evaluations will do that as educational programs prove out.

A formulaic approach would have to be constructed in such a way as to allow those schools which have innovative and intense needs to request and receive the funding needed to reach their educational goals, while other schools which are content with their status quo request and receive less. The formula would have to recognize that the situation at an individual school might and probably would change every year as new staff and new training is put into place. Locking a formula in place would not meet applicant needs. A system for rapid adjustment would have to be built in.

In any kind of formulaic approach, certain measures would have to be instituted to avoid waste, fraud and abuse. Among these would be the necessity of proof of eligibility, both of institutions and their populations, proof of adherence to competitive bidding and procurement laws and regulations, proof of proper expenditure of funding, proof of retention of equipment, and other proofs that the money committed to the applicant was thoughtfully and legally spent. It is very hard to see how instituting a formula surrounded by such strictures is any less cumbersome and convoluted than the current program. And if the formula is not accompanied by strictures, it will certainly be an invitation to waste, fraud and abuse.

Flexibility in the use of funds would be widely popular. Applicants have longed regretted that E-Rate funds will not

purchase hardware or training. The list of purchases that would be allowed would have to be very carefully drawn up, maintained, and monitored to prevent expenditures from growing beyond the fund's ability to cover. If close scrutiny is not maintained, some schools will be choosing between more bandwidth and a computerized monitoring system for their furnace, between video equipment and an automated attendance program. All of these things are worthwhile, but some are more directly connected to using telecommunications for education. Expanding the possibilities of items eligible for funding would seem to strain the limits of money available.

Application Process

In Paragraphs 37 through 42, the Commission asks questions relating to simplifying and streamlining the program. The specific questions, both in wording and in tone, obviously convey the understanding of the Commission that E-Rate is too cumbersome, too complex, too fraught with rule changes, delays, and unexpected stumbling blocks. One Alaskan administrator recently described the program as Byzantine. From the point of view of all who work with it, applicants, service providers, administrators, and Commission staff, this is a fair description.

The very specificity of the questions makes them difficult to answer. Anyone attempting to reply to all of them would be, in effect, designing an entire system, with each individual suggestion playing off the previous and future answers. Perhaps a better way to approach the problem from the point of view of the applicant community would be to arrive at a series of principles that all the details of the program should take into consideration.

1) Applicants have a right to "good customer service". Every individual working on the administration side of the program should be charged with the responsibility of helping every individual applicant complete his dealings with the program successfully.
2) Rules should be decided before a program year begins, broadly and publicly posted, all in the same place, and not subject to change within the program year.
3) Whenever possible, forms should be combined, condensed or eliminated.
4) Whenever possible, already collected data, from E-Rate program, state or federal data sources, should be electronically inserted into all forms without requiring action by the applicant. All forms and systems should be designed to ease data entry.
5) Re-applying for requests already processed should only have to be done if there is a change in contract status, applicant status or suspicion of abuse.
6) Applicants requesting minimal amounts of funding, less than $10,000, should not be subject to the same level of scrutiny that larger applicants are.
7) Services historically reflecting minor chances of abuse should not be subject to the same level of scrutiny that more problematic requests are.
8) Funding decisions and announcements should be made before the funding year begins.

These ideas are broad-brush and do not directly address the questions asked. We look forward to reading the in-detail suggestions of other commentators on simplification of the program and judging whether they meet these principles that we feel would be useful in making the program more palatable and usable to applicants.

Audits

In Paragraphs 71 through 75, the Commission asks a series of questions regarding audit practices. While everyone involved in any type of financial transaction realizes that audits must take place, everyone also dreads those visits and contemplates them nervously. Even those individuals who are sure that they have followed all the rules and have all their paperwork in order are afraid that some esoteric piece of information will be out of place or missing, and they prepare themselves to fail. All too often in this program and in the audits already done, this has been the result that has occurred. While there have been large and very public cases of waste, fraud and abuse, they have not been uncovered because of audits, but by review work by the administrator or by a member of the public informing of wrongdoing.

Small applicants, whether private schools or libraries, are not familiar with the audit process and therefore are even more likely to dread it. Add to the fear that they will have inadvertently done something wrong the surety that they will have to pay to find out whether it is indeed so, and the program becomes less and less attractive to them. These are the very institutions that the Congressional Act intended to be helped the most. They need the funds they request to maintain their connections to the Internet and to pay their phone bills. It is hard to justify asking them to pay the expense of checking to see if they have lost a form from 4 years ago or failed to place a tag on a piece of machinery. Errors because of malfeasance or human error get the same treatment and pay the same penalties.

In bush Alaska, on-site audits require expensive travel and, sometimes, expensive stays. While all school districts are subject to independent audits according to state regulation, those independent auditors have no background in E-Rate funding or accounting. If that type of examination were to

be added to their investigative list, the administrator would have to develop training for them. The tiny libraries of our state have no independent audit program.

Waste, Fraud and Abuse

In Paragraph 90-91, the focus of questions is on how the Commission can deter waste, fraud and abuse within the program. Many people would say that the largest waste in the program is the amount of time and resources spent in re-checking numbers that have already been checked once, in questioning answers that have been duly certified by professional personnel, in shuffling horrendous amounts of paper. This type of waste, of course, can be addressed by simplifying the program administration.

Setting a cap on the amounts an applicant can receive suffers from many of the same problems that a formula would cause. On what basis would a cap be set? The cost of a service at some particular place? At how many locations would the cap be figured? Doesn't any cap have to take into consideration differences in costs between locations? Shouldn't it show some reflection of the poverty level of the involved applicants? Wouldn't it have the effect of punishing schools and libraries that worked hard to increase their technology offerings to their students and patrons? These institutions may plan and prepare for added bandwidth or equipment to improve a curriculum or provide a new service to patrons. Is it fair that they are constrained by some artificial limit on the amount of money that they may receive? In areas of our state where funding is hard to come by, the possibility of receiving E-Rate funding for an Internet connection is the only way a library staffed by volunteers can afford to offer the only public Internet access to an entire village.

Further, setting a cap by cost on services or equipment would guarantee that the price of the service or equipment would be immediately raised to that level. In areas where a single service provider is the only possibility, competitive pressures will not be available to restrain prices. In much of bush Alaska, even finding a single bidder is a difficult task. Our applicants woo bidders, rather than the other way around.

Conclusion

I believe that the immeasurable result of E-Rate funding, at least for our state, lies in the spread of accessible Internet into numerous towns and villages which had none before and in the sense and reality of connection to a broader world that the students and teachers in our bush schools experience. The economic and cultural results of this expansion of telecommunications to the entire state won't be able to be calculated for many years. To quote our responses to several other NPRMs and our answer to many questions about the value of E-Rate, "E-Rate has been a miracle for the state of Alaska." While we complain of the Byzantine nature of the rules and regulations under which we are funded, every involved stakeholder in the Alaska, from the schools and libraries to the service providers to the state government recognizes what E-Rate has done for our state and appreciates this effort to make it simpler and more efficient.

Della Matthis, E-Rate/USF Coordinator
Alaska State Library & Dept. of Ed. and Early Dev.
344 W. 3rd Avenue Suite 125
Anchorage, AK 99501
907-301-7853(v) 907-694-5162(fx)
della_matthis@eed.state.ak.us
http://www.library.state.ak.us/usf